

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-14 EUR-12 EA-12 NEA-10 IO-14
ISO-00 SP-02 ICA-20 AID-05 NSC-05 TRSE-00 SS-15
STR-07 OMB-01 CEA-01 L-03 H-02 PA-02 AGR-01
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 OIC-02 /173 W
-----053439 021758Z /53

R 021721Z AUG 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8746
INFO AMEMBASSY SANTO DOMINGO
AMEMBASSY BANGKOK
AMEMBASSY BRUSSELS
AMCONSUL BELIZE
AMEMBASSY CANBERRA
AMCONSUL DURBAN
USMISSION GENEVA
AMCONSUL GUAYAQUIL
AMEMBASSY LILONGWE
AMEMBASSY MAPUTO
AMEMBASSY MANILA
AMEMBASSY MBABANE
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PORT LOUIS
AMEMBASSY PRETORIA
AMCONSUL RIO DE JANEIRO
AMEMBASSY SUVA
AMEMBASSY ANTANANARIVO
AMEMBASSY TOKYO
AMEMBASSY GUATEMALA
AMEMBASSY TEGUCIGALPA
AMEMBASSY SAN SALVADOR
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY PANAMA
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AMEMBASSY QUITO
AMEMBASSY MEXICO
AMEMBASSY BOGOTA
AMEMBASSY CARACAS
AMEMBASSY GEORGETOWN
AMEMBASSY LIMA
AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES
AMEMBASSY LA PAZ
AMEMBASSY KINGSTON
AMEMBASSY BRIDGETOWN
AMEMBASSY PORT OF SPAIN
AMEMBASSY ASUNCION
AMEMBASSY ACCRA
AMEMBASSY DAR ES SALAAM

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USEEC ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: ETRD, EAGR, EPAP, ISO

SUBJECT: SUGAR -- EXECUTIVE COMMITTEE MEETINGS OF JULY
28, 1978

1. THE INTERNATIONAL SUGAR AGREEMENT (ISA) EXECUTIVE COMMITTEE MET JULY 28, 1978. THE MORNING SESSION WAS DEVOTED TO ROUTINE ITEMS, THE MOST IMPORTANT OF WHICH WERE THE REVIEW OF PERU'S EXCESS SALES BEYOND ITS QUOTA LIMITS, THE ALLOCATION OF 48,000 TONS OF SUGAR UNDER THE SPECIAL HARDSHIP RESERVE, AND THE ACCESSION APPLICATIONS BY GHANA AND TANZANIA. THE MORE IMPORTANT AFTERNOON SESSION FOCUSED ON THE CURRENT SUGAR MARKET SITUATION, UNCLASSIFIED

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THE DELAY IN U.S. RATIFICATION AND EC ACTIONS IN THE MARKET WHICH ARE HELPING TO FORCE DOWN PRICES. CRITICISM WAS LEVIED AGAINST THE FAILURE OF THE UNITED STATES TO RATIFY AND IMPLEMENT THE ISA. GUATEMALA (MONTES) ON BEHALF OF GEPLACEA MEMBERS MOST STRONGLY ATTACKED THE UNITED STATES FOR ITS IMPORT DUTIES AND FEES, PROTECTIONISM IN GENERAL AND ADVERSE ACTIONS IN REGARD TO SUGAR IMPORTS IN ADDITION TO DELAYS IN RATIFICATION. THE UNITED STATES EXPLAINED THE ACTIONS NOW UNDER WAY IN CONGRESS REGARDING RATIFICATION AND IMPLEMENTATION, NOTING THAT THE DELAY IS DUE TO THE DOMESTIC SUPPORT PROGRAM AND NOT RELATED TO THE ISA. THE U.S. DEL REITERATED THE UNITED STATES EXPECTS TO COMPLY WITH ITS OBLIGATIONS UNDER THE ISA BY OCTOBER 1ST, 1978. THE EC OBSERVER ESCAPED WITH THE STATEMENT THAT HE WILL TAKE THE ISA MEMBER VIEWS BACK TO BRUSSELS.

2. GUATEMALA SUGGESTED ALL EXPORTERS DECLARE SHORTFALLS AS SOON AS POSSIBLE. CANADA AND THE CHAIRMAN (DOWLING OF FIJI) AGREED EXPEDITIOUS SHORTFALL DECLARATIONS WOULD BE USEFUL. IT IS EXPECTED SHORTFALL DECLARATIONS MIGHT TOTAL 400/450,000 TONS OF SUGAR. IF SUCH DECLARATIONS

WERE MADE IT WOULD CUT THE EXCESS BETWEEN QUOTA SIZE AND MARKET REQUIREMENTS UNDER THE ISA BY ONE HALF, HOPEFULLY HAVING A MARKET IMPACT. SUGGESTIONS FROM SEVERAL IMPORTERS THAT PRODUCERS MIGHT CONSIDER VOLUNTARY QUOTA CUTS BEYOND THOSE AGREED IN THE ISA WERE ROUNDLY REJECTED BY CUBA AND AUSTRALIA ALTHOUGH BRAZIL APPEARED TO BE SOMEWHAT RECEPTIVE TO THE IDEA.

3. SEVERAL DELEGATES POINTED TO THE SERIOUSNESS OF THE SITUATION CAUSED BY PERU'S TVER-COMMITMENT OF ITS ISA QUOTA BY 35,092 TONS. THE PERUVIAN REPRESENTATIVE EXPLAINED THE SITUATION SATISFACTORILY, BUT NOTED THE SITUATION OF PERU'S SUGAR COOPERATIVES IS DESPERATE. HE EXPLAINED THAT CONTRACTS COULD POSSIBLY BE ALTERED TO ALLOW DEFERRED DELIVERY UNTIL 1979 IN ORDER TO AVOID THE

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PENALTIES OF ISA PROVISIONS ON OVERSHIPMENT. THE PERUVIAN DEL AGREED TO REPORT BACK TO THE EXECUTIVE DIRECTOR.

4. THE EXECUTIVE COMMITTEE APPROVED APPORTIONMENT OF 48,000 TONS OUT OF 130,000 WHICH WERE AVAILABLE FROM THE HARDSHIP RESERVE, CONDITIONED ON THE AGREEMENT OF

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RECIPIENTS THAT NONE OF THE 48,000 TONS WILL BE
SHIPPED BEFORE OCTOBER 1, 1978. THE COMMITTEE WAS NOT
ASKED TO APPROVE THE SPECIFIC ALLOCATIONS, BUT THE
REQUESTING COUNTRIES WERE FIJI, EL SALVADOR AND SWAZI-

LAND.

5. ACCESSION APPLICATIONS OF GHANA (IMPORTER) AND TANZANIA (EXPORTER) WERE WELCOMED.

6. THE PRESS RELEASE TEXT ISSUED AT MEETING'S CONCLUSION IS AS FOLLOWS:

BEGIN TEXT

"THE SIXTH MEETING OF THE EXECUTIVE COMMITTEE WAS HELD
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TODAY UNDER THE CHAIRMANSHIP OF MR. BRUCE DOWLING OF FIJI THE CHAIRMAN OF THE COMMITTEE FOR 1978.

THE EXECUTIVE COMMITTEE GAVE SPECIAL CONSIDERATION TO THE PROBLEMS BEING FACED IN THE MARKET FOR SECURING FULL AND EFFECTIVE OPERATION OF THE AGREEMENT. OBSERVERS FROM THE EEC AT THE INVITATION OF THE COMMITTEE ATTENDED THE DISCUSSIONS.

THE COMMITTEE CONSIDERED THAT THE RECENT DEVELOPMENTS WERE DUE TO MARKET FUNDAMENTALS AGGRAVATED, ON THE ONE HAND, BY DELAYS IN THE RATIFICATION OF THE AGREEMENT BY THE UNITED STATES AND, ON THE OTHER HAND, BY THE FACT THAT THE EEC WAS NOT YET A PARTY TO THE AGREEMENT WITH THE RESULTING UNCERTAINTIES REGARDING THE SUPPLIES LIKELY TO BE PUT ON THE FREE MARKET BY THE EEC.

THE COMMITTEE EXPRESSED ITS CONFIDENCE THAT THE UNITED STATES WILL HAVE RATIFIED AND IMPLEMENTED THE PROVISIONS OF THE AGREEMENT BY 1 OCTOBER 1978.

THE COMMITTEE ALSO NOTED THAT PROVISION HAD BEEN MADE FOR A MEETING OF THE AD HOC GROUP ON ACCESSIONS TO MEET WITH REPRESENTATIVES OF THE EEC EARLY IN OCTOBER TO CONSIDER THE MODALITIES OF EEC PARTICIPATION IN THE AGREEMENT. IT URGED THE EEC, PENDING ACCESSION, TO CONDUCT ITS SUGAR MARKETING IN A WAY CONSISTENT WITH THE OBJECTIVES OF THE AGREEMENT.

THE COMMITTEE URGED ALL ITS EXPORTING MEMBERS WHICH DO NOT EXPECT TO USE THEIR QUOTAS IN EFFECT FOR 1978 IN FULL TO MAKE APPROPRIATE SHORTFALL DECLARATIONS AS SOON AS POSSIBLE BEFORE 30 SEPTEMBER 1978.

THE COMMITTEE AGREED ON THE CONDITIONS OF ACCESSION TO BE RECOMMENDED TO THE COUNCIL IN RESPECT OF GHANA AND THE UNITED REPUBLIC OF TANZANIA, WHICH HAVE RECENTLY APPLIED FOR MEMBERSHIP UNDER ARTICLE 76 OF THE AGREEMENT.

THE COMMITTEE NOTED THAT 130,000 TONNES OF SUGAR REMAINED FOR ALLOCATION FROM THE HARDSHIP RESERVE IN 1978. IN VIEW OF THE PRESENT MARKET SITUATION, HOWEVER, THE COMMITTEE DECIDED THAT OF THIS QUANTITY NO MORE THAN
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48,000 TONNES SHOULD BE ALLOCATED FOR THIS YEAR AND THAT
NONE OF THIS ALLOCATION SHOULD BE OFFERED FOR SALE BEFORE
OCTOBER 1, 1978."
END TEXT.

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Message Attributes

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